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**SPECIAL FEATURE**
Motivation:
The Value of Stress

**COMPUTERS**
Choosing the Right
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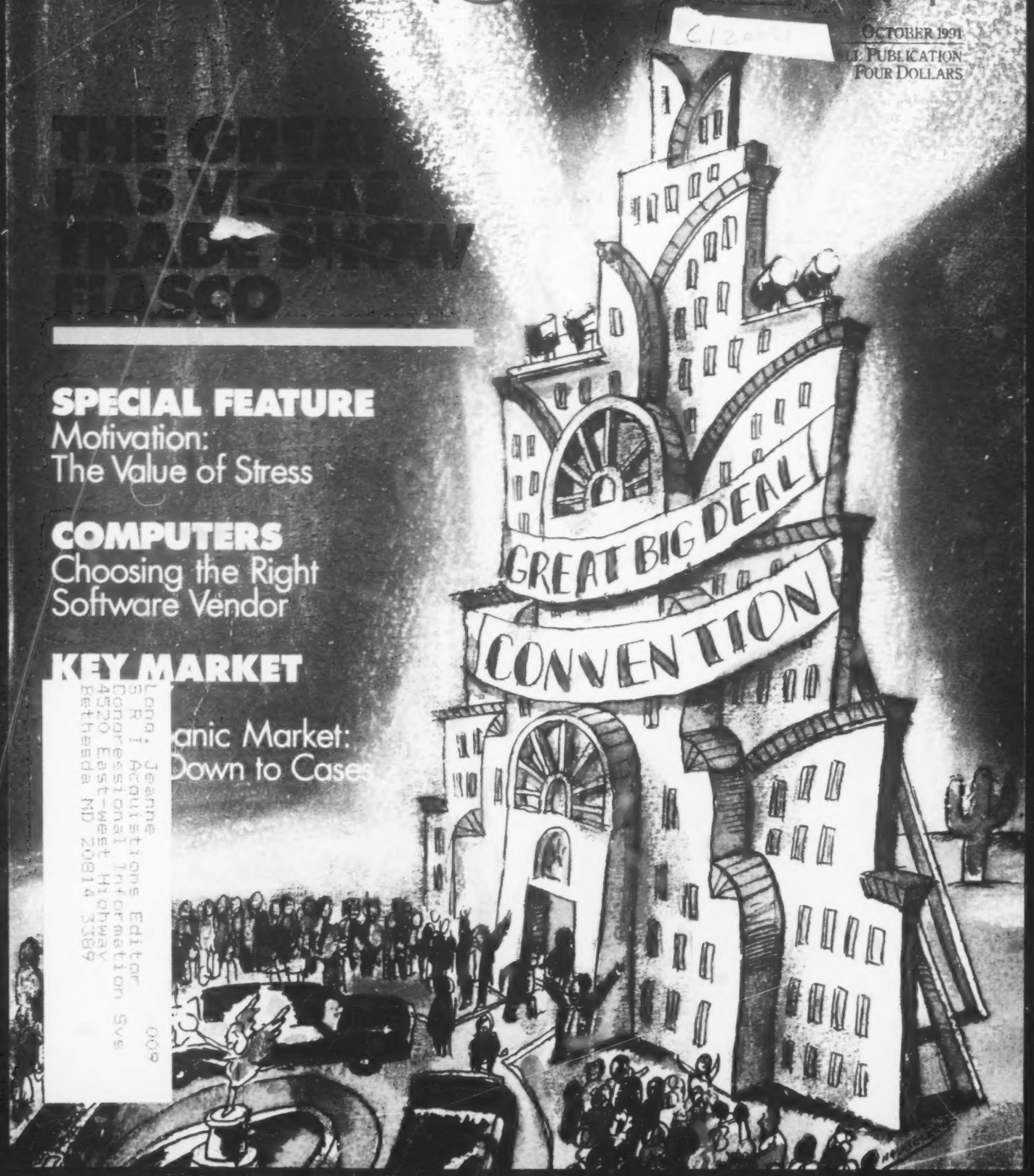


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# SALES & MARKETING MANAGEMENT

COVER BY ROBERT NEUBECKER

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ABP BPA

# THE RACE

## AN EXPO EXPOSÉ

If you're like me, you end up attending at least half-a-dozen conferences and trade shows each year—some good, some bad, some both. Having just returned from our POWER SELLING Conference and Exposition in Chicago, I have a new-found respect for meeting planners and show managers in general. Once you've been on the inside, you can appreciate the monumental effort it takes to pull off a successful—or even an unsuccessful—event. Happily, the initial indications are that POWER SELLING '91 fell squarely into the former category, and I'd just like to publicly thank those of you who helped make our first outing a hit. We couldn't have done it without you.

Of course, appreciative attendees and exhibitors are only part of this equation. A lot of what goes into a successful, well-run event happens long before the registration desk opens on the first day: months and months of groundwork, negotiations, wrangling with contracts, lining up seminars and speakers, the inevitable logistical logjams—enough stuff to render even the most savvy and sophisticated planner semicomatose.

Fortunately, Fred Hufnagel, Kate Turner, and the rest of the gang (Karen, Nicole, Kate, Dave, Craig, Lorraine, Beth, Kerry, et al.) at the BillCom Exposition & Conference Group are a hell of a lot more experienced at this sort of thing than we are, and it's largely due to their collective expertise and attention to detail that POWER SELLING came off without a major hitch or glitch.

Which is not to say that the event was without its share of problems. There were plenty. The trick was to keep them to a minimum—and, more important, to learn something from them. In this business, inexperience can't be used as an excuse. Nor should it be. In our case, the warm glow of satisfaction at a job well done that we were all feeling as POWER SELLING '91 wound down on Friday night was quickly doused by our first read-through of the conference evaluation forms—a truly sobering experience. Granted, there were only around 150 of them (about 20% of the attendees), but what they had to say was nonetheless revealing.

What you find out first of all is that people who fill out evaluation forms rarely have anything positive to say—useful and constructive, perhaps, but usually not what you'd call laudatory. And while they may not be pleasant to read, the comments are really the only way you have of finding out what went wrong, because the good stuff tends to be verbalized, while the bad gets written down—often in painful detail. Such are the advantages of anonymity.

But not always. For example, this month's cover story, "The Great Las Vegas Trade Show Fiasco," is kind of an evaluation form carried to extremes—both literally and literarily—with author Harry Foster weaving a tantalizing tale of one such event gone horribly awry. Style-wise, it's a bit of a departure for us, but I think you'll find the information and insights are right on target.

I only wish I'd had a copy of this article back in April or May—it would've saved me more than a few sleepless nights.

Richard P. Kern
Editor

# CHOOSING THE RIGHT SOFTWARE VENDOR: A CASE OF NATURAL SELECTION

## Thinking of automating? A recent report offers managers the inside scoop on vendors, services, and applications.

BY THAYER C. TAYLOR, SENIOR EDITOR

The success or failure of a sales force automation program often hinges on whether salespeople buy into it. And the one factor that shapes their reaction more than any other is the software that will be their entree to the world of computers. As a result, when it comes to implementing an SFA program, the selection of the right software vendor is probably the most critical decision a marketer makes.

A recent report on the sales automation software market by International Data Corp. (IDC), a Framingham, Mass., computer industry research firm, contains material that can be used by marketers either planning to launch computer-in-sales programs or upgrading existing ones. IDC's analysis of the SFA market, while written from the perspective of SFA software vendors (and priced at a hefty $4,000), offers sales and marketing executives clues on pinpointing the search for the vendor most suitable to their particular needs, ammunition for negotiating prices and services, and a peek into the future of such software.

Finally, because these software vendors have done the brunt of the missionary sell on spreading the SFA gospel (hardware vendors, except for Hewlett-Packard and Digital Equipment Corp., have so far sat on the sidelines), their experience in dealing with all sizes and types of SFA users provides lessons for like-minded marketers.

IDC structures the SFA software market into three tiers, with each offering a particular mix of price, technology, support, and services to match the needs of various-sized clients. "Service and support are especially significant when it comes to sales force automation," stresses Clare Gillan, IDC senior analyst and author of the report, because "the software vendor must succeed at changing the behavior of salespeople who are frequently computer averse." In general, she adds, "Company size determines the required mix of price, product, and services."

### TIERING UP THE MARKET

First-tier vendors, such as Sales Technologies of Atlanta and Envoy Systems in Waltham, Mass., "target corporations with a large (more than 50 people), often multinational sales force requiring highly customized systems. Data consolidation and system integration are standard. Programs reside on corporate host computers, service bureau systems, and, increasingly, on LANs [local area networks]." If you deal with first-tier vendors, you can expect project management, consulting, implementation planning, support in pilot tests, and training services as part of the SFA solution. Naturally, the bundle doesn't come cheap: "Pricing begins around $40,000 for development licenses," IDC says, "with additional charges for customization, user licenses, and additional services."

The first SFA vendors focused on Fortune 500-type prospects for a number of reasons, the three most obvious being: 1) their deep pockets allow them to amortize costs over a larger base of salespeople; 2) they're less price sensitive; and 3) they're more likely to be looking to gain a competitive edge through advanced technology. However, there are other factors as well. As IDC notes, "Large corporations demand custom systems because they have their own cultural and technical requirements, as well as well-defined corporate identities and procedures to be incorporated into the system design."

Hence, first-tier vendors tend to market large-scale, integrated systems with modular applications. According to IDC, they typically provide the following applications: customer database, activity planning, mail-merge, forecasting, quoting, reporting, optional order processing and inventory access, two-way communications between field and group offices, links to external and host data sources, as well as industry-specific tools (i.e., extensions to a particular program). They also offer such services as 24-hour/7-day hotline support, software upgrades, data load and conversion, hardware setup and testing, and hardware swap services.

Small to medium-size companies are targeted by second-tier SFA software vendors, such as SNAP Software in Manchester, N.H., and SaleMaker Software of Grand Prairie, Texas. Selecting a second-tier vendor requires more picking and choosing because, as IDC notes, the level of services varies among software firms in this tier.

If they have anything in common, second-tier systems "provide timely customer and activity information to both the sales team and sales management," says IDC. In addition, these systems "offer basic productivity tools with options to record more detail about customers, products, and activities than would be found in third-tier

IMAGE BANK/STEVEN HUNT/MITCHELL FUNK

applications."

Second-tier systems are mostly "designed to support marketers with long sales cycles, complex product lines, and multiple contacts within customer sites." Another trait of second-tier vendors: They tend to support both the field and inside sales departments. Thus, several second-tier vendors build telemarketing features such as autodialers and inbound call processing into their systems.

Prices for second-tier single-user programs run around $695, IDC says. LAN licenses, becoming increasingly popular for connecting field sales to central computers, range from $1,295 to $2,000.

According to IDC, second-tier vendors usually bundle the following features with their offerings: customer database, activity planner, mail-merge, forecasting, product/customer purchase history files, reference files, quote and proposal forms, ad hoc reporter, data downloads from such databases as Dun & Bradstreet and *Money Market Directory*, and customization and data conversion protocols.

Whereas first-tier vendors predominantly sell direct, dealing with second-tier vendors may be more of a mixed bag. On the one hand, to gain penetration they often rely on VARs (value-added resellers) to market vertical industry versions of their systems. If you deal with a VAR, IDC says you can expect the firm to "either bundle the software with training and support or bundle it with hardware and other business applications."

On the other hand, to gain credibility, second-tier vendors often forge marketing agreements with well-known hardware vendors. Laptop makers favored by SFA software vendors include GRiD, Toshiba, Zenith, and Compaq.

There's another element that influences what you can expect from a second-tier vendor. IDC points out that because most of these firms have limited resources and therefore must choose their priorities, "the technology and service trade-offs they make differentiate second-tier vendors from each other. Frequently, technical development is weighted against implementation and consulting. Vendors choosing the technology route tend to farm out training and implementation consulting to VARs. About half the vendors generate revenue from implementation consulting and customization services. Approximately 50% offer maintenance agreements covering software upgrades while others offer liberal upgrade policies featuring deep discounts."

Third-tier vendors, such as Contact Software Int'l of Irving, Texas, and Scherrer Resources in Philadelphia, focus on the single user and small businesses, offering "low cost, easy-to-use solutions." Designed to support individual productivity, IDC says "the packages support the salesperson's need to maintain records, identify opportunities, schedule meetings, create quotes, and generate correspondence."

Components of a typical third-tier application, IDC says, include a customer demographics database, an activity/transaction database, picklist or menu-driven data entry and navigational tools, word processors integrated or linked with direct mail some user-customized fields, and preset customer and activity reports, including hot lists.

IDC says pricing is highly sensitive at this level, with tags that range from under $100 to approximately $400. LAN versions typically go for $1,000.

With these kinds of prices, third-tier vendors don't have much to invest in marketing programs. Hence, their distribution pattern is more scrambled than the other two tiers. For example, IDC estimates that around 60% of third-tier sales are direct, 10%-15% through VARs, and 25%-30% retail.

However, IDC warns, "the retail channel offers little support to vendors." Thus, marketers should beware before being tempted by the price deals retailers offer.

Despite their low price image—and the limited functionality of their packages—third-tier vendors are winning attention in the corporate marketplace. As IDC observes: "Some corporations find the simple, single-user systems perfectly adequate for their sales automation needs. There are

## Rx for SFA Success

Canvassing software vendors on their experiences with the most successful SFA programs, IDC senior analyst Clare Gillan, who heads the research firm's ongoing SFA project, comes up with this checklist of what should be done to achieve the goals of an SFA program:

- **Include sales reps early on.** "Vendors agree that sales reps must be included early in the implementation process," she says. "Their reactions identify obstacles, opportunities, and priorities. Reps must be committed to the project and feel it meets their needs and reflects their tastes."
- **Pick software reps will love.** "A system's value depends on how willingly the rep buys into it and uses it. It has to make his or her job easier, become part of the daily routine. It needs to be perceived as a benefit to the rep's bottom line."
- **Enlist management support.** "Top management support is essential in getting large projects funded and under way. To implement a change this dramatic, one that essentially rewrites the flow of information within the organization, top management must be in absolute support of the project. Nonetheless, a successful implementation can't be forced on the rep. Management's role is to reinforce learning and provide motivation and backup. Finally, while management's support is important, concerns about Big Brother are often present, as well. Thus, management may do well to take a background role in the early stages of implementation."
- **Enlist a champion.** "Pick someone who will spearhead and coordinate the task force, who can smooth the organizational change. Anyone, from sales rep up to vice president of sales, is a potential champion. First- and second-tier vendors target the sales manager because he or she is looking to increase sales. Third-tier vendors target individual sales professionals.

"The ambitious regional manager who wants the vice president of sales job is a favorite vendor target because a successful implementation means high visibility."

■ **Run a pilot test.** "Focus groups and pilots are well-advised for even small departmental installations and are critical to large-scale projects. Steering committees and focus groups comprised of sales-team members are essential. A small pilot team loaded with sales professionals who are also computer 'hackers' is weighted for success. This is a change from the earlier-held belief that pilot teams be diversified, with many levels of computer expertise represented. With the proverbial hacker, success is more likely because: 1) there'll be a short learning curve; 2) computer users willingly apply concepts and challenge the system; 3) software and hardware snafus won't be as frustrating. Pilot team members frequently become project champions who then sell the organization with personal success stories."

■ **Match training to the size of the project.** "The amount of training is proportional to the scope of the project. The more the company hopes to transform the sales organization, the more training is necessary. SFA puts increasingly strategic information into the rep's hands. With proper training, the informed sales rep assumes the role of strategic marketer and business consultant to customers. The sales manager, using detailed activity and customer information, has the tools to better direct and coordinate the sale team effort. To fully exploit the information resources, everyone in the organization, from top manager to field manager, needs to understand what SFA information means, how to get it, and what to do with it."

■ **Walk before you run.** "Staged implementation is more likely to be successful. Vendors recommend that communications modules and basic tools such as word processing be installed first. After the reps have become acclimated to using a computer and exchanging information, new functions can be rolled out. Customer databases, pricing tools, quote modules, order links, and inventory access are introduced later. Advanced reporting, analysis, and fancy modeling applications come last."

some clear benefits to these systems: 1) groups are up and running immediately, 2) both software and training costs are low, and 3) the systems will hold the reps until either they demand more power or the corporation decides how to proceed with an automation project."

Also, IDC notes, "a corporation may use a third-tier system as a de facto pilot. For a minimal investment, a corporation can try automation. When the time comes to upgrade, people will know what they want and what they can do without."

### THE FUTURE OF SFA

While marketers may find it relatively easy to categorize SFA software vendors today, the distinctions will blur tomorrow. Few such vendors plan to diversify into non-SFA fields, but, IDC reports, "most plan to beef up their technologies, add complementary modules, or expand consulting services." The latter is becoming a necessity for all tiers, observes James Leavey, president of Manchester N.H.-based SNAP Software, because for "automation to do what it promises, you have to study the client's sales organization, philosophy, and practices, and explain how each element will inevitably change."

To cast a wider net, IDC says some first-tier vendors already market off-the-shelf applications for midsized companies because "service-oriented second-tier vendors are building their consulting practices, and those that are technology-focused are developing integration techniques and additional operating-system versions that may qualify them with large corporations. Third-tier vendors are introducing support packages and LAN versions."

However, diversification won't be easy. Jim Harpath, president of Modatech, a Vancouver, B.C.-based first-tier vendor that plans to expand into the second-tier market, warns, "It's not a trivial decision. Given the broad price differentials between the tiers and the contrasting distribution patterns, it requires considerable thought as to how you package your offerings, as well as the mix of support and services you can afford."

One catalyst spurring diversification strategies is the greater demands experienced users are putting on SFA systems. Although single-user lead-tracking applications have dominated the market to date, IDC says, multiuser, multifunction systems have begun gaining acceptance as the corporate standard.

A prime catalyst is that marketers now see SFA as crucial to improved customer service. Says IDC: "SFA provides tools and the structure to create and keep extensive customer records that can be shared throughout the organization."

Strategic databases are being developed in order to improve both customer awareness and service. "Enterprise-wide information systems that connect sales, customer service, accounting, and field service are long-term goals," says IDC. "As the critical databases develop, organizations begin to imagine the possibilities created by information systems. According to the largest vendors, high-level information applications will begin to arise as a major field of interest for many companies, large and small."

Interestingly, there seems to be a generation gap among vendors as to the timetable for these integrated systems. The older, established vendors feel that technical and organizational barriers will postpone their debut. Not so, say the younger vendors, which contend "any company visionary enough to try SFA has the strategic awareness to put competitive knowledge into use today."

Communications, which has always been a knotty problem with salespeople scattered in remote territory locations, will also figure more importantly in SFA. "Companies look to SFA systems as communications circuits complementary to voice mail," says IDC. "For example, in communicating service and pricing policies, written communication such as E-mail provides documentation available for future reference."

Feeding salespeople more information about the external environment in which they operate is another long-term goal. This is shown by increased attention to the importance of third-party data. ►

## Trends in SFA Cost Justification

While software vendors as a whole put sales productivity at the top among clients' SFA goals, overall strategic information was ranked No. 1 by first-tier companies.

| TREND | SCORE |
|---|---|
| Sales productivity | 4.8 |
| Sales management | 4.3 |
| Overall customer service | 4.0 |
| Overall strategic information | 4.0 |
| Communications/E-mail | 3.9 |
| Order entry/EDI* | 3.1 |
| Inventory control/access | 2.7 |
| Sales presentations | 2.5 |

Note: 5 = most important; 1 = least important
*Electronic data interchange

SOURCE: International Data Corp., Sales Force Automation Markets and Trends

As IDC observes, "Sales and marketing professionals are discovering competitive databases. They're asking for ways to dump third-party data directly into SFA systems. Data sources include public-access databases, proprietary P-O-S (point-of-sale) data, stock market data, and competitive industry data." IDC sees SFA software vendors establishing strategic alliances with suppliers of third-party data.

The passion for linking databases flames within companies, as well. SFA vendors report that businesses want their SFA systems linked to accounting records, customer and field service files, and order entry and inventory functions.

Linking the salesperson to various databases is spurring greater interest in distributed computing, a technology that disperses computer power throughout remote locations. "Linking field reps to central databases is a key objective of many companies implementing automation programs," IDC says. The perceived benefits: centralized databases from which to manage territories, a centralized database for marketing analysis, and better control of disseminated sales and marketing information.

While boosting the salesperson's productivity remains the prime driving force behind SFA programs, companies are now beginning to expect comparable gains from the rep's bosses. "Midsize and large companies are looking for productivity gains in sales and marketing management," vendors contend. "Regional databases create the opportunity for proactive, information-based management. The astute manager can readily identify opportunities and weaknesses from current data on customers and sales reps' activities. Databases support open territory coverage and realignment. Managers can identify and cover hot accounts in unassigned territories, for example. However, managerial productivity gains can only be possible if the software supports roll-ups and regional databases."

Significantly, the greater preoccupation with linking SFA to distributed systems puts in bolder light the many unresolved organizational issues that accompany the varied assortment of technical issues. According to IDC, some of the organizational issues the framers of automation programs must eventually tackle are:

- Who has the highest priority in editing data?
- Who manages the system?
- How is system access determined?
- What is the organizational tolerance for flexibility vs. the system's ease of use and speed?

Just as SFA programs restructure the way sales reps do their jobs, IDC says, so does it introduce fundamental (sometimes painful) organizational changes. "Middle managers, for example, find themselves in a new role. They lose their power as information gatekeepers and are forced to develop new skills.

"Middle managers' jobs are threatened," IDC continues. "Some companies may be tempted to eliminate middle managers as sales reps take on more responsibilities. Handled insensitively, the change can traumatize an organization."

Then, too, there's the traditional face-off between sales and marketing to be bridged. As IDC notes, "The marketing manager has different demands from SFA systems: 1) feedback on promotion and advertising programs and 2) direct communication with salespeople."

Software vendors warn that if system responsibility is given to the marketing department, it might "cause tension and frustration." They stress that "SFA systems can't be forced on reps by marketing. Reps can't be asked to compile detailed customer information early in the implementation. If it adds work, reps will reject it. Marketing must work with sales to select mutually beneficial solutions."

## SFA's Power Brokers

While first- and second-tier companies view sales management as the key decision maker in the SFA process, third-tier firms bestow that accolade on salespeople. Each tier has its own No. 2 influential: First-tier companies pick MIS; second-tier, marketing; and third-tier, sales management.

| POSITION | SCORE |
|---|---|
| Sales management | 4.7 |
| MIS | 4.2 |
| Marketing | 4.0 |
| CEO | 3.8 |
| Other corporate | 3.7 |
| Salespeople | 3.7 |
| Task force | 3.7 |
| Proprietor | 3.4 |
| Telemarketing | 3.4 |

Note: 5 = most important; 1 = least important
SOURCE: International Data Corp., Sales Force Automation Markets and Trends

## What Makes for Success in SFA Programs

Among first-tier companies, immediate end-user impact and management support were considered equally important, while third-tier companies tended to cite user interface and end-user impact with the same frequency.

| AREA OF CONCERN | SCORE |
|---|---|
| Immediate end-user impact | 4.8 |
| User interface | 4.7 |
| Champion | 4.5 |
| Level of customization | 4.4 |
| Management support | 4.3 |
| Compatibility with third-party applications | 3.9 |
| Hands-on training | 3.9 |
| Hardware | 3.9 |
| Tutorial training | 3.4 |
| User's computer expertise | 3.3 |
| Size of implementation group | 3.1 |

Note: 5 = most important; 1 = least important
SOURCE: International Data Corp., Sales Force Automation Markets and Trends

# THE HISPANIC MARKET: GETTING DOWN TO CASES

## The melting pot is out; the salad bowl is in. Here's how to make sure your Hispanic marketing program provides the right dressing.

FPG INTERNATIONAL JEFFERY MYERS

BY GARY L. BERMAN

The key words now are "target," "micro," "segmented," "niche," and "Hispanic." Gone is the notion of a single, homogeneous marketplace. This is the "age of diversity." Marketers are focusing their efforts on a process called "demassification." The demassification of marketing is corporate America's response to living in the age of diversity. The Hispanic market is one of the targets of demassification and has been receiving more and more marketing support from corporate America.

Since the popularization of television in the 1950s, marketers have used this medium to impact the largest possible audience. This shotgun approach was successfully used by giants such as Coca-Cola, McDonald's, Kraft, and Sears. But that was then. Now, these same giants are leading the pack with their demassification programs.

The basic premise underlying mass marketing has been the melting pot theory of assimilation. ►

The theory postulates that as they settled here, immigrant groups eventually blended into the American way of life and became part of the mass market. Corporate America identified the lowest common denominator in all of us: We are Americans, therefore we should be targeted the same.

But is it possible that we're changing from a "melting pot" conception of society to that of a "salad bowl"—a salad bowl where each ethnic group maintains its culture and heritage and yet very much participates in the American way of life? Harvard sociologist Nathan Glazer calls the current demographic trend "the permanently unfinished story" of America, a nation that continues to take in more immigrants each year than all the rest of the countries of the world combined.

Dr. Robert Buzzell, professor of business administration at Harvard Univ., is confident that if data on segments within markets were available, "they would show that most businesses achieving major share gains did so by focusing their efforts on selected segments—often ones that were relatively small at first."

With an increasing number of competitive offerings cluttering the media and battling for limited shelf space, mass marketers are finding it more difficult to dominate their product categories and score large-scale victories. In addition, there's less perceived differentiation among similar products, and many categories and brands are approaching maturity in their product lifecycle. When a product reaches maturity, there are generally three ways for a manufacturer to increase sales:

- Develop line extensions.
- Reposition the product for other uses.
- Identify the needs of a particular segment and develop a target marketing effort.

### TARGETING HISPANICS

Demassification defines a target market by age, sex, socioeconomic characteristics, geography, or, in this case, ethnicity. To segment or not to segment? This is the question. There are three major tests that may be used to determine if a given segment is suitable for a target marketing effort:

1. Is the segment viable?
2. Is the segment reachable?
3. Is the segmented effort measurable?

Let's apply these three tests to the Hispanic segment, assuming we're a major consumer goods company offering products to the mass market.

**1. Is the segment viable?** According to the *1990 Current Population Survey* published by the U.S. Census Bureau, there are currently 22.4 million Hispanic-Americans living in the United States, amounting to over 8% of the total population. That's an increase of 35% over the 1980 Census. By comparison, the non-Hispanic population increased by only 6.6% during the same period. Between 1982 and the year

## Hispanic Markets Coming on Strong

**Marketing budgets live and die on the basis of information. One of the main reasons brand managers often find it hard to increase their budgets for marketing to Hispanics (or get initial funding) is the difficulty in digging up accurate and usable data, particularly since the Hispanic market changes daily. Even the basic question of how many Hispanics there are in the United States hasn't been answered definitively. Current population estimates range from 20 million to 30 million, depending on who's doing the estimating. And if you can't even nail down the size of the target market, the subtleties of measuring success or failure become especially difficult.**

**What information source, then, can a marketer count on? The U.S. Census is one. While many claim the Census underrepresents minorities in general (and Hispanics in particular), it's probably better to err on the side of conservatism and be pleasantly surprised if a Hispanic marketing effort is more far-reaching than was hoped, rather than operating on the basis of overstated projections that might lead to the premature cancellation of a particular program.**

The most recent data available on the ever-changing Hispanic market is the U.S. Census report *The Hispanic Population in the United States: March 1989*. It contains revealing statistics that increase and influence our understanding of the Hispanic market.

The report pegs the Hispanic market at 21.9 million and growing—at a rate five times faster than the general population. The momentum behind this trend is primarily immigration from Latin America: Slightly over 50% of this growth comes directly from immigration. And if historical trends are an indicator, immigration will continue to increase.

In 1950, the relative population of North and South America were the same. But by 1988, South America had leaped 164 million inhabitants ahead, and by the year 2050 its population is expected to be triple that of North America. Accompanying economic and social pressures, the competition for jobs, health care, education, and transportation resources, plus the political instability of countries like Panama, Nicaragua, and Colombia, are only accelerating the exodus. The lure of North America, with its social, economic and political opportunities, has never been stronger. For the marketer, this is a crucial point.

Also, since Hispanics have a strong tendency to marry other Hispanics, this means these new immigrants will [illegible] and reinforce the use of Spanish and Spanish-language media. Simply put—even by conservative Census estimates—Hispanics will represent a significantly larger portion of the U.S. population in the near future, a portion that, due to constant reinforcement from its many native cultures, isn't following assimilation patterns laid down by previous waves of immigrants that have swept U.S. shores. When coupled with the fact that Hispanics are also more geographically concentrated and more urbanized compared

to the general market (approximately 92% of Hispanic households reside in urban areas, compared to 75% of general market households), this translates into a targeted marketing opportunity that requires identifying and improving distribution to urban Hispanic stores.

But don't assume that just because you have distribution in major chains in high Hispanic-density urban areas that you're getting your share of Hispanic consumer dollars. A large chunk of that dollar is flowing into small to midsized retailers; it's estimated that 40% of total commodity purchases by Hispanics are made in stores that do less than $1 million in sales. The geographic concentration of Hispanics also offers cost-efficiencies relating to media buys, in-store promotions, and, ultimately, moving product.

Hispanics lag behind the non-Hispanic population in terms of median household income—$21,769 to $33,124, respectively. This should be taken with a grain of salt, however, as many Hispanics are moving up the socioeconomic ladder and the emerging middle and upper classes are growing ever larger. Also, the relatively low median figures for Hispanics are skewed somewhat by the temporary economic condition of many new arrivals.

This move toward greater affluence hasn't been lost on manufacturers of high-end goods. Traditionally, the majority of products targeted toward the Hispanic market were from the food, beverage, and personal health care categories. Now, credit card, insurance, computer, and travel companies are realizing the potential of the emerging middle- and upper-class segments.

Still, even though Hispanics have less disposable income than non-Hispanics, they tend to spend a disproportionately higher amount on food and beverage items. Since most Hispanics are interested in providing "the best" for their families, they're willing to spend to obtain it. Also, Hispanics are usually more brand loyal than their general market counterparts, a fact at least partly driven by their lack of disposable income; they don't want to buy products their families won't like, resulting in wasted money.

As previously mentioned, Hispanics tend to marry other Hispanics. Some 85% of Hispanic husbands were married to a Hispanic wife, and 82% of Hispanic wives were married to Hispanic husbands. Again, the significance of this for marketers can't be understated: Unlike previous immigrant cultures that assimilated into mainstream America, Hispanic culture and language aren't being lost through mixed marriages. In addition, Hispanic families are larger than non-Hispanic families. The average household size for Hispanics is 3.4 people, compared to 2.6 for the general market. Significant variations are found by ethnicity, with Mexicans having the largest average and Cubans the smallest. Finally, the average Hispanic is younger than the average non-Hispanic (25.9 versus 33.2 years). This has implications for such products as cereal, soft drinks, candy, and other items aimed at the youth market.

2000, the Hispanic population will account for over one-fourth of the total growth in the United States. (The U.S., in fact, has the fifth largest Hispanic population in the world.) In addition, Hispanic-Americans represented over $171 billion in purchasing power in 1990.

These statistics are important, but a marketer doesn't live by the Census alone. Before entering the Hispanic market, a company must assess the return on investment for its segmented marketing effort. For instance, what's the brand development index or usage index—on a category and brand basis—comparing Hispanic and non-Hispanic consumption?

One of the first steps marketers have to face when entering the Hispanic market is to conduct a Hispanic market segmentation study, which will identify the similarities and differences between the Hispanic and general markets. Ideally, the research will also identify variations within the Hispanic market as well as isolate any regional marketing opportunities. For example, it's widely known that Hispanics index higher in the bean category. But does that mean we should flood the market with our new black bean product? Before we do we should know that Mexicans eat refried beans, Cubans eat black beans, and Puerto Ricans eat red beans. It's a matter of knowing your target market.

**2. Is the segment reachable?** Initially, the quality and quantity of Hispanic media wasn't up to par in comparison to the general market. Until the 1980s, only local groceries, furniture stores, and a few pioneering general marketers targeted the Hispanic consumer, using limited media outlets. Since 1983, however, Hispanic market media expenditures have tripled from $224 million.

This increase in expenditures has been driven by both growing opportunity and improved Hispanic media availability. There are currently two major Spanish-language television networks, and an increasing amount of U.S.-produced Hispanic television programming is being developed, in addition to increasing the variety of available Latin American viewing options. Hispanic cable television is growing, hundreds of radio stations are presently broadcasting in Spanish, and an increasing number of both newspapers and magazines are targeting Hispanic U.S.A.

**3. Is the segmented effort measurable?** Research on Hispanics is improving. In the Dark Ages of the Census (before 1970), Hispanics weren't counted separately. In 1970, Hispanics were classified as "Spanish," a term that resulted in great confusion. Then, in 1980 a self-description methodology was employed. And although the Census still has a long way to go in counting Hispanics accurately, the 1990 Census has done a better job in providing a more reliable count than ever before.

One of the fundamental challenges

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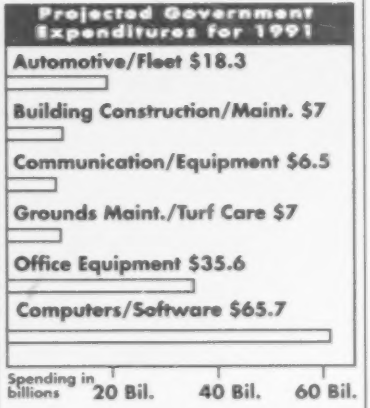


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facing mass marketers is the lack of product usage information within the Hispanic market. These are a few of the questions being asked in corporate meetings dealing with marketing to Hispanics:

- "Do Hispanics consume my product?"
- "Are Hispanics being reached by my general market media?"
- "Which commercial execution is the most effective?"
- "What will the advertising's effects be on increasing awareness, trial, and usage?"
- "How many cases of my product will my target market budget move?" ►

## 1990 Hispanic Consumer Spending Index (HCSI) for Selected Items

| CATEGORY | AVERAGE ANNUAL EXPENDITURE PER HOUSEHOLD | HCSI |
|---|---|---|
| Alcoholic beverages | $222 | 97 |
| Cereals & bakery products | 351 | 126 |
| Dairy products | 338 | 141 |
| Food | 4,114 | 125 |
| Food away from home | 1,531 | 109 |
| Fruits & vegetables | 470 | 144 |
| Meats, poultry, fish & eggs | 739 | 153 |
| Nonalcoholic beverages | 226 | 131 |
| Other food at home | 686 | 124 |
| Sugar & other sweets | 81 | 119 |
| Drugs | 122 | 63 |
| Personal care products & svcs. | 337 | 116 |
| Tobacco products & smoking supplies | 141 | 67 |
| Electricity | 523 | 87 |
| Natural gas | 209 | 105 |
| Owned dwellings | 1,982 | 88 |
| Rented dwellings | 2,526 | 205 |
| Telephone | 568 | 124 |
| Utilities, fuels & public svcs. | 1,479 | 99 |
| Household furnishings & equip. | 724 | 80 |
| Housekeeping supplies | 341 | 109 |
| Laundry & cleaning supplies | 131 | 151 |
| Major appliances | 115 | 87 |
| Small appliances & misc. hardwares | 45 | 86 |
| Apparel & services | 1,520 | 119 |
| Footwear | 229 | 143 |
| Infants' apparel (children under 2) | 88 | 158 |
| Men's & boys' apparel | 398 | 122 |
| Women's & girls' apparel | 557 | 108 |
| Cars & trucks, new | 601 | 56 |
| Cars & trucks, used | 974 | 115 |
| Gasoline & motor oil | 810 | 102 |
| Public transportation | 293 | 125 |
| Vehicle purchases | 1,588 | 82 |
| Health care | 890 | 79 |
| Health insurance | 312 | 74 |
| Life & other personal insurance | 141 | 51 |
| Medical services | 409 | 92 |
| Entertainment | 913 | 80 |
| TV, radios & sound equip. | 373 | 106 |

**Note:** The HCSI shows, relative to the population as a whole, how much more (or less) likely Hispanic households are to purchase particular items. Per-household expenditures for the general population equal 100 on the HCSI scale. Using this formula, we find that Hispanic households are 3% less likely to spend their money on Alcoholic beverages, or 26% more likely to purchase Cereals & bakery products.

SOURCE: Bureau of Labor Statistics; *1988-89 Consumer Expenditure Survey*, "Origin of Reference Person." HCSI figures calculated by *Sales & Marketing Management*.


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**TOOLS FOR EFFECTIVE TARGETING**

The research community is responding. Focus groups conducted by bilingual moderators are being used for strategic development and to identify the cultural "hot buttons" that will motivate the trial and use of a product. Communication effectiveness tests using normative data are available to aid in creative development and executional issues. Awareness, trial, and usage surveys answer strategic issues and measure the effectiveness of business building programs. Case movement analysis is gradually improving with the advent of volumetric projection models, scanner data, and other methodologies.

Once the decision to target the Hispanic market has been made, the question of how to allocate and organize company resources must then be answered. Until recently, the major consumer goods companies handled minority marketing with a "public affairs" mentality. An individual was given the responsibility for the Hispanic and African-American markets. As a "brand person" became interested in segmenting the market, the "minority affairs" person would try to assist, usually by providing some secondary statistics and personal experience. Needless to say, this approach wasn't usually successful because it wasn't marketing-oriented.

As corporations realized the profit potential of minority markets, they developed the position of "target market specialist" within their bureaucratic structures. These individuals were responsible for both the Hispanic and African-American segments, as well as other groups such as the mature market. Unfortunately, these same individuals generally didn't possess an in-depth understanding of the similarities and differences between Hispanics, African-Americans, and the general market. Therefore, their ethnic marketing efforts were generally unsuccessful.

Also, adequate funding wasn't available. Although companies now realize the importance of minority markets in their long-term orientation, it has taken them a long time to begin funding the marketing effort. Most major marketers didn't add budgets for marketing to minorities to their existing efforts—they simply shifted brand monies from general marketing to minority marketing budget catagories. Brand managers resisted because of their short-term inclination to move cases of their product as fast as possible, and they didn't want to make the



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# Cases in Point

As competition for shelf space intensifies, marketers are looking for ways to increase sales. Naturally, many are looking to the Hispanic market. Here are three case studies that offer some valuable insights into reaching this segment:

**CASE #1: A major (non-alcoholic) beverage manufacturer.**

*The Problem:* The competition within the beverage category is intense. The company was looking for targeted marketing opportunities in which to expand its business. Target marketing was the chosen strategy, and research was conducted in the Mature (50+ years of age), Youth (12-17 years of age), African-American, Asian, and Hispanic markets.

Little was known about the consumption patterns of Hispanics in the category, and a hypothesis was drawn that Hispanics preferred sweeter-tasting beverages and might therefore be motivated to switch to the client's product.

*The Research:* As an initial step, research was conducted to assess whether or not the drink could be a substitute for the more traditional type of beverage. Additionally, a taste test was conducted to determine the strength and weaknesses of the product, as well as to identify market potential.

Research was also conducted to identify the product attributes that were important to Hispanic consumers. Finally, the issue of packaging was addressed by determining preference for cans, bottles, and/or aseptic packaging.

*The Marketing Program:* In the case of the Hispanic market, the research indicated a high return on investment was possible among Caribbean-based Hispanics found in New York City and Miami, but not among the Mexican population.

*The Results:* The company utilized a combination of Spanish and English media. Marketers opted to create new strategic executions while maintaining consistency with their general market advertising. They sponsored community festivals, as well as developing an extensive in-store sampling program. Buy-one-get-one-free coupons were handed out at the time of the sampling.

Preliminary results showed a sales increase of more than 30% when compared to 1989 levels in the two markets where the marketing effort was undertaken.

**CASE #2: A major distributor and retailer of food, beverage, and over-the-counter drug products.**

*The Problem:* Sales had decreased relative to key competitors. The company had tried a variety of strategies, including advertising, couponing, and in-store promotions such as two-for-one offers, all with limited success.

*The Research:* The company conducted a research project to identify the demographic composition of its patrons, as well as to clarify their "hot buttons." The company was surprised to learn that more than 50% of its clientele was Hispanic.

An analysis was done to determine what, if any, Spanish-language marketing efforts had been undertaken in the past. The only example of the use of Spanish was a sign in its stores that read: "Todos los rateros de tienda seran demandados en juicio bajo las leyes del estado!" ("All shoplifters will be prosecuted to the fullest extent of the law!").

As you might imagine, Hispanic consumers didn't feel welcome in the stores and shopped there only out of convenience.

*The Marketing Program:* In response to the decline in market share, the new marketing director instituted a broad-based marketing effort and hired a Spanish advertising agency. A mixture of Spanish-language radio, print, direct mail, and television were used (the majority of funds were spent in radio, followed by television). An interesting innovation was the use of a life-size cutout of a famous "Latina" actress. Cutouts were placed at the entrance of each store, carrying the message "Bienvenidos" ("Welcome").

*The Results:* A pre- and post-quantitative tracking study measured the effects of this marketing effort. Increases of 20% to 30% were seen across all key indices. Sales volume in Hispanic stores jumped by 7% in the first six months.

**CASE #3: A major food manufacturer of side dishes.**

*The Problem:* The company was interested in increasing its market share in the Hispanic market. However, its product didn't have a natural appeal to the Hispanic consumer.

*The Research:* Extensive qualitative and quantitative research was conducted to determine the specific product characteristics and flavors that would be most appealing to the Hispanic consumer.

*The Marketing Program:* As a result of this research, the company decided that the return on investment didn't warrant expanding its own product line to meet the needs of the Hispanic market. Instead, the company decided to purchase an existing Hispanic-owned food manufacturer within its product category. Because the company enjoyed tremendous distribution clout within the retail trade, it was able to gain instant distribution of the newly acquired line in Hispanic-oriented stores.

*The Results:* The new line was supported with Spanish-language radio and in-store promotions, as well as a recipe book featuring creative uses for the product. The company also sponsored a cooking contest, with the winner featured in a television commercial. Current plans involve line extensions and a 300% increase in media expenditures.

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commitment for long-term success since they might not be around long enough to realize the benefits. Brand managers were hardly ever behind the minority marketing effort because it was perceived as a detracting factor from the strength of their general market effort.

mented marketing," and "the futures group" are currently being assigned the task of identifying the segmented marketing opportunities for their companies and executing the appropriate marketing strategies. Brand managers, promotions, sales, research, and media departments are all working together

# Companies now realize the importance of minority marketing in their long-term orientation.

Theodore Levitt, in his recent book, *Marketing Imagination*, says, "If you're not thinking segmentation, then you're not thinking." There are indications today that corporations are now beginning to think: For example, leading marketers have set up interdisciplinary teams on a corporate level to address the demassification issue. Internal organizations with names such as "target market group," "segwith the common goal of selling to a changing America.

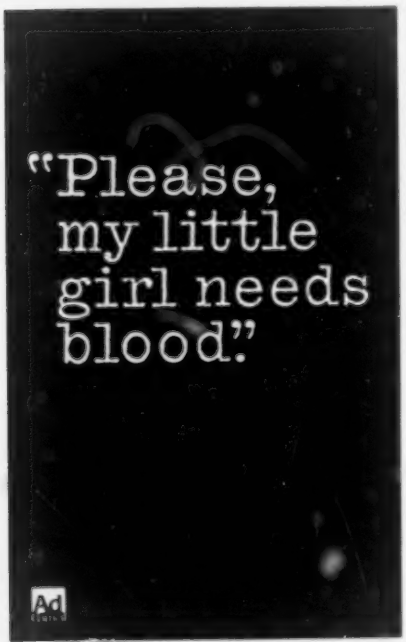
Is American marketing finally beginning to shift from the once-popular concept of a melting pot to a salad bowl? The answer depends on the perspective of the chef.

*Gary L. Berman is president of Market Segment Research Inc., Coral Gables, Fla.*

## Major Metros with the Highest Percentage of Hispanic Population

| RANK | METRO | HISPANIC POPULATION PERCENT | HISPANIC POPULATION TOTAL* |
|---|---|---|---|
| 1. | Miami-Hialeah, FL | 50.0% | 982.6 |
| 2. | San Antonio, TX | 47.8 | 633.0 |
| 3. | Los Angeles-Long Beach, CA | 38.4 | 3,447.6 |
| 4. | Riverside-San Bernardino, CA | 26.8 | 731.3 |
| 5. | Anaheim-Santa Ana, CA | 23.9 | 586.8 |
| 6. | New York, NY | 22.4 | 1,927.6 |
| 7. | Houston, TX | 21.8 | 727.5 |
| 8. | San Jose, CA | 21.2 | 321.2 |
| 9. | San Diego, CA | 20.8 | 532.0 |
| 10. | Phoenix, AZ | 16.4 | 356.8 |
| 11. | San Francisco, CA | 14.8 | 238.3 |
| 12. | Dallas, TX | 14.7 | 383.9 |
| 13. | Oakland, CA | 13.2 | 280.2 |
| 14. | Denver, CO | 13.1 | 214.1 |
| 15. | Chicago, IL | 12.4 | 751.5 |
| 16. | Bergen-Passaic, NJ | 11.9 | 152.1 |
| 17. | Sacramento, CA | 11.7 | 78.9 |
| 18. | Fort Worth-Arlington, TX | 11.5 | 156.2 |
| 19. | Newark, NJ | 10.6 | 193.0 |
| 20. | Orlando, FL | 9.2 | 102.1 |
| 21. | Fort Lauderdale-Hollywood-Pompano Beach, FL | 8.9 | 114.0 |
| 22. | Middlesex-Somerset-Hunterdon, NJ | 7.2 | 74.2 |
| 23. | Hartford-New Britain-Middletown-Bristol, CT | 7.0 | 79.2 |
| 24. | Tampa-St. Petersburg-Clearwater, FL | 6.8 | 144.4 |
| 25. | Nassau-Suffolk, NY | 6.5 | 170.4 |

*Figures shown in thousands.
SOURCE: Sales & Marketing Management; *1991 Survey of Buying Power.*

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